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FISCAL IMPACT STATEMENT

LS 7498 **NOTE PREPARED:** Feb 17, 2009
BILL NUMBER: SB 448 **BILL AMENDED:** Feb 12, 2009

SUBJECT: Personal Property Tax Exemption for IT Equipment.

FIRST AUTHOR: Sen. Charbonneau **BILL STATUS:** As Passed Senate
FIRST SPONSOR: Rep. Austin

FUNDS AFFECTED: **GENERAL** **IMPACT:** Local
DEDICATED
FEDERAL

Summary of Legislation: (Amended) This bill provides that before January 1, 2013, a designating body may adopt a resolution providing the exemption to a particular business. It requires that the designating body and the eligible business enter into an agreement concerning the property tax exemption, which must specify the duration of the property tax exemption and may specify that a transferee is entitled to the exemption on the same terms as the transferor. The bill specifies that the exemption continues for the period specified in the agreement, notwithstanding the January 1, 2013, deadline to adopt a resolution granting an exemption.

The bill defines enterprise information technology equipment as:

(1) hardware supporting computing, networking, or data storage function, including servers and routers;
(2) networking systems having an industry designation as equipment within the "enterprise" or "data center" class of networking systems that support the computing, networking, or data storage functions; and
(3) generators and other equipment used to ensure an uninterrupted power supply to such hardware and networking systems. It provides that enterprise information technology equipment does not include computer hardware designed for single user, workstation, or departmental level use.

The bill also defines an eligible business to be an entity that meets the following requirements:

(1) The entity is engaged in a business that operates one or more facilities dedicated to computing, networking, or data storage activities.
(2) The entity is located in a facility or data center in Indiana that contains in the aggregate at least $10,000,000 in personal property or real property investment that is made after June 30, 2009.
(3) The average employee wage of the entity is at least 125% of the county average wage for each

county in which the entity conducts business operations.

Effective Date: July 1, 2009.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) Under this bill, a county or municipal fiscal body could grant a property tax exemption for enterprise information technology equipment owned by an eligible business. If the property is located within a municipality, then the municipal fiscal body would be the designating body. The county fiscal body would be the designating body for property located in an unincorporated area. The designating body could adopt a resolution through December 31, 2012, to exempt property. The term of the exemption, however, could extend beyond 2012 and would have to be set in an agreement between the designating body and eligible business. The designating body would be required to give notice of the resolution and must hear all remonstrances and objections. A final resolution would be adopted after the hearing.

The exemption would not be limited to new investments and could apply to an eligible business' existing property as well. If any existing assessed value is exempted, then the tax base would be reduced and tax rates would increase. The increased tax rate would shift part of the tax burden from owners of the exempt property to all other taxpayers. In areas where the circuit breaker caps have been triggered, the higher tax rates would result in a greater cost (taxing unit revenue loss) for the circuit breaker credits. The granting of any exemption under this bill would be a local decision.

The exemption of newly acquired property would not affect the existing tax base. If there is an increase in development because of the exemption, then other property could be added to the tax base. If the exemption period set locally is shorter than the life of the property, then the value of the enterprise information technology equipment could eventually be added to the tax base. However, if one assumes that the investment would be made with or without the exemption, then the granting of the exemption under this bill could also eliminate the normal shift of the property tax burden from all taxpayers to the owners of the new property that would have occurred.

State Agencies Affected:

Local Agencies Affected: County and municipal fiscal bodies; County auditors; Local taxing units and school corporations.

Information Sources:

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